

**STATE OF MONTANA  
LEGISLATIVE BRANCH  
EXCLUDING THE CONSUMER COUNSEL  
FINANCIAL-COMPLIANCE AUDIT FOR THE  
TWO FISCAL YEARS ENDED JUNE 30, 2007**

**JUNKERMIER, CLARK, CAMPANELLA, STEVENS, P.C.  
Certified Public Accountants and Business Advisors**

## LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
Tori Hunthausen,  
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:  
James Gillett  
Angie Grove

October 2007

The Legislative Audit Committee  
of the Montana State Legislature:

Enclosed is the report on the financial audit of the Montana Legislative Branch for the two fiscal years ended June 30, 2007.

The audit was conducted by Junkermier, Clark, Campanella, Stevens, PC under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The Branch's written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat  
Legislative Auditor

07C-05

**STATE OF MONTANA  
LEGISLATIVE BRANCH  
EXCLUDING THE CONSUMER COUNSEL  
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**LEGISLATIVE BRANCH  
EXCLUDING THE CONSUMER COUNSEL  
ELECTED AND APPOINTED OFFICIALS  
AS OF JUNE 30, 2007**

LEGISLATIVE COUNCIL AND LEGISLATIVE SERVICES DIVISION

REPRESENTATIVES

Debby Barrett  
Bob Bergren - Presiding Officer  
Margarett Campbell  
Dennis Himmelberger - Vice Presiding Officer  
Dave McAlpin  
Scott Sales

SENATORS

Gregory Barkus  
Vicki Cocchiarella  
Mike Cooney  
Kelly Gebhardt  
Dan Harrington  
Corey Stapleton

EXECUTIVE DIRECTOR: Susan Byorth Fox

LEGISLATIVE AUDIT COMMITTEE AND LEGISLATIVE AUDIT DIVISION

REPRESENTATIVES

Bill Beck  
William Glaser  
Betsy Hands  
Hal Jacobson - Vice Presiding Officer  
Mike Phillips  
John Sinrud

SENATORS

Joe Balyeat - Presiding Officer  
Gregory Barkus  
Steve Gallus  
Dave Lewis  
Lynda Moss  
Mitch Tropila

LEGISLATIVE AUDITOR: Scott A. Seacat

LEGISLATIVE FINANCE COMMITTEE AND LEGISLATIVE FISCAL DIVISION

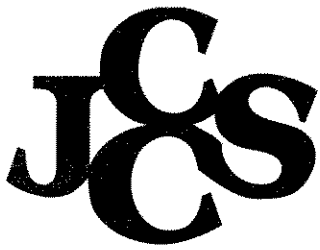
REPRESENTATIVES

Ron Erickson  
Cynthia Hiner  
Dave Kasten  
Rick Ripley - Vice Presiding Officer  
Jon Sesso  
Janna Taylor

SENATORS

Trudi Schmidt - Presiding Officer  
John Brueggeman  
John Cobb  
Keith Bales  
Dave Wanzienried  
Carol Williams

LEGISLATIVE FISCAL ANALYST: Clayton L. Schenck



**Junkermier • Clark  
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## **INDEPENDENT AUDITORS' REPORT**

The Legislative Audit Committee  
Of the Montana State Legislature:

We have audited the accompanying financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 2006 and 2007, as listed in the table of contents. These financial schedules are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the Legislative Branch's financial schedules are prepared in accordance with state accounting policy, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Legislative Branch for the fiscal years ended June 30, 2006 and 2007, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the audit committee, management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2007 on our consideration of the Legislative Branch's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

***Junkermier, Clark, Campanella, Stevens, P.C.***

Helena, Montana  
October 25, 2007

LEGISLATIVE BRANCH  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

|   |              |                               |
|---|--------------|-------------------------------|
| FUND BALANCE: July 1, 2005                          | General Fund | State Special<br>Revenue Fund |
|   | \$ (708,861) | \$ 211,387                    |
| ADDITIONS   |              |                               |
| Budgeted Revenues & Transfers-In                    | 6,990        | 3,109,527                     |
| Nonbudgeted Revenues & Transfers-In                 | 3,335        | 74,577                        |
| Prior Year Revenues & Transfers-In Adjustments      |              | (385)                         |
| Direct Entries to Fund Balance                      | 9,870,791    | 176,488                       |
| Total Additions                                     | 9,881,116    | 3,360,207                     |
| REDUCTIONS  |              |                               |
| Budgeted Expenditures & Transfers-Out               | 9,164,165    | 2,296,983                     |
| Nonbudgeted Expenditures & Transfers-Out            | (1,146)      | (158)                         |
| Prior Year Expenditures & Transfers-Out Adjustments | 495,999      | 518                           |
| Total Reductions                                    | 9,659,018    | 2,297,343                     |
| FUND BALANCE: June 30, 2006                         | \$ (486,763) | \$ 1,274,251                  |

See the notes to financial statements.

LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

TOTAL REVENUES & TRANSFERS-IN BY CLASS

|   | General Fund | State Special<br>Revenue Fund | Total       |
|---|--------------|-------------------------------|-------------|
| Taxes   | \$ 2,154     |                               | \$ 2,154    |
| Charges for Services                                    |              | 1,492,857                     | 1,492,857   |
| Investment Earnings                                     |              | 17,039                        | 17,039      |
| Sale of Documents, Merchandise and Property             | 6,990        | 1,179,558                     | 1,186,547   |
| Miscellaneous   | 1,181        |                               | 1,181       |
| Grants, Contracts, Donations and Abandonments           |              | 320                           | 320         |
| Other Financing Sources                                 |              | 493,945                       | 493,945     |
| Total Revenues & Transfers-In                           | 10,325       | 3,183,719                     | 3,194,045   |
| Less: Nonbudgeted Revenues & Transfers-In               | 3,335        | 74,577                        | 77,913      |
| Prior Year Revenues & Transfers-In Adjustments          |              | (385)                         | (385)       |
| Actual Budgeted Revenues & Transfers-In                 | 6,990        | 3,109,527                     | 3,116,516   |
| Estimated Revenues & Transfers-In                       | 5,911        | 3,167,819                     | 3,173,730   |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | \$ 1,079     | \$ (58,292)                   | \$ (57,214) |

BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS

|   |          |             |              |
|---|----------|-------------|--------------|
| Charges for Services                                    | \$       | (118,338)   | \$ (118,338) |
| Investment Earnings                                     |          | 12,038      | 12,038       |
| Sale of Documents, Merchandise and Property             | \$ 1,079 | 48,254      | 49,333       |
| Grants, Contracts, Donations and Abandonments           |          | (192)       | (192)        |
| Other Financing Sources                                 |          | (55)        | (55)         |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | \$ 1,079 | \$ (58,292) | \$ (57,214)  |

See the notes to financial statements.

LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT

|   | AUDIT &<br>EXAMINATION | FISCAL<br>ANALYSIS &<br>REVIEW | LEGIS.<br>COMMITTEES &<br>ACTIVITIES | LEGISLATIVE<br>SERVICES | LEGISLATIVE<br>SERVICES<br>FEED BILL | LEGISLATURE -<br>HOUSE | LEGISLATURE -<br>SENATE | Total         |
|---|------------------------|--------------------------------|--------------------------------------|-------------------------|--------------------------------------|------------------------|-------------------------|---------------|
| Personal Services                                   |                        |                                |                                      |                         |                                      |                        |                         |               |
| Salaries  | \$ 2,400,273           | \$ 954,460                     | \$ 81,261                            | \$ 2,620,455            | \$ 1,057                             | \$ 48,915              | \$ 30,651               | \$ 6,137,072  |
| Other Compensation                                  |                        |                                |                                      |                         |                                      |                        |                         |               |
| Employee Benefits                                   | 650,408                | 252,070                        | 7,782                                | 707,186                 | 314                                  | 28,215                 | 14,108                  | 42,323        |
| Total   | 3,050,681              | 1,206,530                      | 89,043                               | 3,327,641               | 1,371                                | 705,898                | 347,496                 | 2,549,265     |
| Operating Expenses                                  |                        |                                |                                      |                         |                                      |                        |                         |               |
| Other Services                                      | 106,308                | 12,543                         | 195,912                              | 924,715                 | 43,669                               | 135                    | 173                     | 1,283,455     |
| Supplies & Materials                                | 33,535                 | 3,115                          | 1,395                                | 477,234                 |                                      | 195                    | 108                     | 515,582       |
| Communications                                      | 23,805                 | 9,686                          | 6,179                                | 93,570                  | 13,163                               | 59                     | 22                      | 146,464       |
| Travel  | 42,347                 | 10,371                         | 174,273                              | 15,556                  |                                      | 26,326                 | 11,254                  | 280,127       |
| Rent  |                        |                                | 100                                  | 155,191                 |                                      | 75                     | 75                      | 155,441       |
| Repair & Maintenance                                | 426                    | 2                              |                                      | 94,063                  |                                      |                        | 356                     | 94,847        |
| Other Expenses                                      | 38,392                 | 722                            | 111,706                              | 82,587                  |                                      | 1,691                  | 1,049                   | 236,147       |
| Total   | 244,813                | 36,419                         | 489,565                              | 1,842,916               | 56,832                               | 28,481                 | 13,037                  | 2,712,063     |
| Equipment & Intangible Assets                       |                        |                                |                                      |                         |                                      |                        |                         |               |
| Equipment   |                        |                                |                                      |                         |                                      |                        |                         |               |
| Total   |                        |                                |                                      | 21,693                  |                                      |                        |                         | 21,693        |
| Transfers   |                        |                                |                                      |                         |                                      |                        |                         |               |
| Accounting Entity Transfers                         |                        |                                |                                      |                         |                                      |                        |                         |               |
| Total   | 80,600                 | 11,180                         | 150                                  | 570                     |                                      | 146,670                | 68,450                  | 493,945       |
| Total Expenditures & Transfers-Out                  | 80,600                 | 11,180                         | 150                                  | 570                     |                                      | 146,670                | 68,450                  | 493,945       |
| Total Expenditures & Transfers-Out                  | \$ 3,376,094           | \$ 1,254,129                   | \$ 578,758                           | \$ 5,192,820            | \$ 244,528                           | \$ 881,049             | \$ 428,983              | \$ 11,956,361 |
| EXPENDITURES & TRANSFERS-OUT BY FUND                |                        |                                |                                      |                         |                                      |                        |                         |               |
| General Fund  |                        |                                |                                      |                         |                                      |                        |                         |               |
| State Special Revenue Fund                          | 1,941,405              | 1,254,129                      | 546,556                              | 4,362,369               | 244,528                              | 881,049                | 428,983                 | 9,659,018     |
| Total Expenditures & Transfers-Out                  | 1,434,600              | 32,202                         | 32,202                               | 830,451                 |                                      |                        |                         | 2,297,343     |
| Less: Nonbudgeted Expenditures & Transfers-Out      | 3,376,094              | 1,254,129                      | 578,758                              | 5,192,820               | 244,528                              | 881,049                | 428,983                 | 11,956,361    |
| Prior Year Expenditures & Transfers-Out Adjustments | (558)                  | (214)                          | 4                                    | (557)                   | (1)                                  | (22)                   | 44                      | (1,304)       |
| Actual Budgeted Expenditures & Transfers-Out        | 81,473                 | 11,308                         | 164                                  | 2,127                   | 186,325                              | 146,670                | 68,450                  | 496,517       |
| Budget Authority                                    | 3,295,179              | 1,243,036                      | 578,590                              | 5,191,250               | 58,204                               | 734,401                | 360,489                 | 11,461,148    |
| Unspent Budget Authority                            | 3,767,954              | 1,349,682                      | 690,352                              | 5,519,765               | 177,672                              | 1,212,097              | 796,828                 | 13,514,350    |
| Total   | 472,775                | 106,647                        | 111,762                              | 328,515                 | 119,468                              | 477,696                | 436,339                 | 2,053,202     |
| UNSPENT BUDGET AUTHORITY BY FUND                    |                        |                                |                                      |                         |                                      |                        |                         |               |
| General Fund  |                        |                                |                                      |                         |                                      |                        |                         |               |
| State Special Revenue Fund                          | 387,690                | 106,647                        | 93,964                               | 300,736                 | 119,468                              | 477,696                | 436,339                 | 1,922,540     |
| Unspent Budget Authority                            | 85,085                 | 17,798                         | 17,798                               | 27,779                  |                                      |                        |                         | 130,862       |
| Total   | 472,775                | 106,647                        | 111,762                              | 328,515                 | 119,468                              | 477,696                | 436,339                 | 2,053,202     |

See the notes to financial statements.



LEGISLATIVE BRANCH  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|  | General Fund | State Special<br>Revenue Fund |
|--|--------------|-------------------------------|
| FUND BALANCE: July 1, 2006                     | \$ (486,763) | \$ 1,274,251                  |
| ADDITIONS                                      |              |                               |
| Budgeted Revenues & Transfers-In               | 32,216       | 1,953,061                     |
| Nonbudgeted Revenues & Transfers-In            | 2,290        | 48,241                        |
| Prior Year Revenues & Transfers-In Adjustments |              | 442                           |
| Direct Entries to Fund Balance                 | 14,563,204   | (76,814)                      |
| Total Additions                                | 14,597,709   | 1,924,930                     |
| REDUCTIONS                                     |              |                               |
| Budgeted Expenditures & Transfers-Out          | 14,985,870   | 1,971,075                     |
| Nonbudgeted Expenditures & Transfers-Out       | (4,440)      | (535)                         |
| Total Reductions                               | 14,981,430   | 1,970,540                     |
| FUND BALANCE: June 30, 2007                    | \$ (870,484) | \$ 1,228,641                  |

See the notes to financial statements.

LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| TOTAL REVENUES & TRANSFERS-IN BY CLASS                           | General Fund | State Special<br>Revenue<br>Fund | Total        |
|--|--------------|----------------------------------|--------------|
| Taxes  | \$ 1,925     |                                  | \$ 1,925     |
| Charges for Services   |              | \$ 1,559,296                     | \$ 1,559,296 |
| Investment Earnings  |              | 27,899                           | 27,899       |
| Sale of Documents, Merchandise and Property                      | 32,216       | 33,299                           | 65,515       |
| Miscellaneous  | 365          |                                  | 365          |
| Grants, Contracts, Donations and Abandonments                    |              | 1,550                            | 1,550        |
| Other Financing Sources  |              | 379,700                          | 379,700      |
| Total Revenues & Transfers-In                                    | 34,506       | 2,001,744                        | 2,036,250    |
| Less: Nonbudgeted Revenues & Transfers-In                        | 2,290        | 48,241                           | 50,531       |
| Prior Year Revenues & Transfers-In Adjustments                   |              | 442                              | 442          |
| Actual Budgeted Revenues & Transfers-In                          | 32,216       | 1,953,061                        | 1,985,277    |
| Estimated Revenues & Transfers-In                                | 8,945        | 1,876,117                        | 1,885,062    |
| Budgeted Revenues & Transfers-In Over (Under) Estimated          | \$ 23,271    | \$ 76,944                        | \$ 100,215   |
| BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS |              |                                  |              |
| Charges for Services   |              | \$ 71,636                        | \$ 71,636    |
| Investment Earnings  |              | 2,899                            | 2,899        |
| Sale of Documents, Merchandise and Property                      | \$ 23,271    | 1,659                            | 24,930       |
| Grants, Contracts, Donations and Abandonments                    |              | 1,050                            | 1,050        |
| Other Financing Sources  |              | (300)                            | (300)        |
| Budgeted Revenues & Transfers-In Over (Under) Estimated          | \$ 23,271    | \$ 76,944                        | \$ 100,215   |

See the notes to financial statements.

LEGISLATIVE BRANCH  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT          | AUDIT &<br>EXAMINATION | FISCAL<br>ANALYSIS &<br>REVIEW | LEGIS.<br>COMMITTEES &<br>ACTIVITIES | LEGISLATIVE<br>SERVICES | LEGISLATIVE<br>SERVICES FEED<br>BILL | LEGISLATURE -<br>HOUSE | LEGISLATURE -<br>SENATE | Total         |
|---|------------------------|--------------------------------|--------------------------------------|-------------------------|--------------------------------------|------------------------|-------------------------|---------------|
| Personal Services                                   |                        |                                |                                      |                         |                                      |                        |                         |               |
| Salaries  | \$ 2,550,747           | \$ 1,112,321                   | \$ 32,126                            | \$ 2,829,239            | \$ 92,168                            | \$ 1,329,734           | \$ 812,414              | \$ 8,758,749  |
| Other Compensation                                  | 702,407                | 286,442                        | 3,119                                | 750,860                 | 14,718                               | 1,194,875              | 596,746                 | 1,791,621     |
| Employee Benefits                                   | 3,253,154              | 1,398,763                      | 35,245                               | 3,580,099               | 106,886                              | 893,637                | 443,438                 | 3,094,621     |
| Total   |                        |                                |                                      |                         |                                      | 3,418,246              | 1,852,598               | 13,644,991    |
| Operating Expenses                                  |                        |                                |                                      |                         |                                      |                        |                         |               |
| Other Services                                      | 31,416                 | 38,968                         | 7,644                                | 721,503                 | 328,190                              | 22,011                 | 18,468                  | 1,168,200     |
| Supplies & Materials                                | 35,002                 | 3,388                          | 266                                  | 344,203                 | 16,179                               | 22,114                 | 18,672                  | 439,824       |
| Communications                                      | 19,032                 | 9,691                          | 2,352                                | 61,853                  | 44,142                               | 4,357                  | 3,646                   | 145,073       |
| Travel  | 54,403                 | 6,558                          | 62,866                               | 14,096                  |                                      | 101,761                | 52,673                  | 292,357       |
| Rent  | 100                    |                                |                                      | 155,436                 |                                      | 1,875                  | 2,175                   | 159,586       |
| Repair & Maintenance                                |                        |                                |                                      | 110,388                 |                                      |                        |                         | 110,388       |
| Other Expenses                                      | 34,834                 | 364                            | 113,911                              | 58,712                  | 13                                   | 108,693                | 65,111                  | 381,638       |
| Total   | 174,788                | 58,969                         | 187,039                              | 1,466,191               | 388,524                              | 280,811                | 160,745                 | 2,697,066     |
| Equipment & Intangible Assets                       |                        |                                |                                      |                         |                                      |                        |                         |               |
| Equipment   |                        |                                |                                      | 226,646                 |                                      |                        |                         | 226,646       |
| Total   |                        |                                |                                      | 226,646                 |                                      |                        |                         | 226,646       |
| Transfers   |                        |                                |                                      |                         |                                      |                        |                         |               |
| Accounting Entity Transfers                         | 273,400                | 41,500                         | 6,500                                | 61,867                  |                                      |                        |                         | 383,267       |
| Total   | 273,400                | 41,500                         | 6,500                                | 61,867                  |                                      |                        |                         | 383,267       |
| Total Expenditures & Transfers-Out                  | \$ 3,701,341           | \$ 1,499,232                   | \$ 228,784                           | \$ 5,334,803            | \$ 495,410                           | \$ 3,679,057           | \$ 2,013,343            | \$ 16,951,970 |
| EXPENDITURES & TRANSFERS-OUT BY FUND                |                        |                                |                                      |                         |                                      |                        |                         |               |
| General Fund  | \$ 2,083,878           | \$ 1,499,232                   | \$ 222,727                           | \$ 4,987,763            | \$ 495,410                           | \$ 3,679,057           | \$ 2,013,343            | \$ 14,981,430 |
| State Special Revenue Fund                          | 1,617,463              |                                | 6,057                                | 347,020                 |                                      |                        |                         | 1,970,540     |
| Total Expenditures & Transfers-Out                  | 3,701,341              | 1,499,232                      | 228,784                              | 5,334,803               | 495,410                              | 3,679,057              | 2,013,343               | 16,951,970    |
| Less: Nonbudgeted Expenditures & Transfers-Out      | (1,421)                | (591)                          | (21)                                 | (1,621)                 | (55)                                 | (775)                  | (491)                   | (4,975)       |
| Prior Year Expenditures & Transfers-Out Adjustments |                        |                                |                                      |                         |                                      |                        |                         |               |
| Actual Budgeted Expenditures & Transfers-Out        | 3,702,762              | 1,499,823                      | 228,805                              | 5,336,424               | 495,465                              | 3,679,832              | 2,013,834               | 16,956,945    |
| Budget Authority                                    | 4,156,352              | 1,511,916                      | 310,592                              | 5,805,538               | 774,378                              | 5,092,216              | 3,087,522               | 20,738,514    |
| Unspent Budget Authority                            | 453,590                | 12,093                         | 81,787                               | 469,114                 | 278,913                              | 1,412,364              | 1,073,688               | \$ 3,781,569  |
| UNSPENT BUDGET AUTHORITY BY FUND                    |                        |                                |                                      |                         |                                      |                        |                         |               |
| General Fund  | \$ 357,728             | \$ 12,093                      | \$ 70,046                            | \$ 408,739              | \$ 278,913                           | \$ 1,412,364           | \$ 1,073,688            | \$ 3,613,591  |
| State Special Revenue Fund                          | 95,882                 |                                | 11,741                               | 60,375                  |                                      |                        |                         | 167,978       |
| Unspent Budget Authority                            | 453,590                | 12,093                         | 81,787                               | 469,114                 | 278,913                              | 1,412,364              | 1,073,688               | \$ 3,781,569  |

See the notes to financial statements.

**LEGISLATIVE BRANCH  
EXCLUDING THE CONSUMER COUNSEL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006 and 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Legislative Branch uses the modified accrual basis of accounting, as defined by state accounting policy, for its Funds. In applying the modified accrual basis, the Legislative Branch records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Legislative Branch to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the Legislative Branch receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

**Financial Schedule Presentation**

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Accounting, Budgeting and Human Resource System without adjustment.

Accounts are organized in funds according to state law. The Legislative Branch uses the following funds:

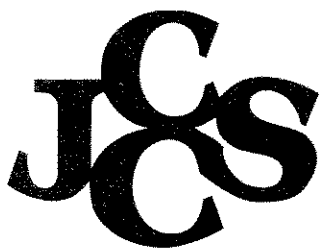
**Governmental Funds:**

General Fund -used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund -used to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes.

**2. GENERAL FUND BALANCE**

The General Fund is a statewide fund. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. The beginning and ending fund balances reported on the accompanying Schedules of Changes in Fund Balance reflect the Legislative Branch's, excluding the Consumer Counsel, share of the statewide General Fund balance for the years ended June 30, 2006 and 2007.



Junkermier • Clark  
Campanella • Stevens • P.C.

Certified Public Accountants and Business Advisors

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 2006 and 2007 and have issued our report thereon dated October 25, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Legislative Branch's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Legislative Branch's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Legislative Branch's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Report on internal control and compliance

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### **Compliance**

As part of obtaining reasonable assurance about whether the Legislative Branch's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Legislative Branch in a separate letter dated October 25, 2007.

This report is intended for the information of management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

***Junkermier, Clark, Campanella, Stevens, P.C.***

Helena, Montana  
October 25, 2007



**Montana Legislative Services Division**  
**Office of the Executive Director**

PO BOX 201706  
Helena, MT 59620-1706  
(406) 444-3064  
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October 26, 2007

Junkermier, Clark, Campanella, Stevens, P.C.  
Certified Public Accountants  
P.O. Box 1164  
Helena MT 59624-1164

RE: Legislative Branch Audit Response

Dear Junkermier, Clark, Campanella, Stevens, P.C.:

We have reviewed the draft audit report for the Legislative Branch and the conclusion that our agency accounting meets all tested standards and that no recommendations for improvement were necessary.

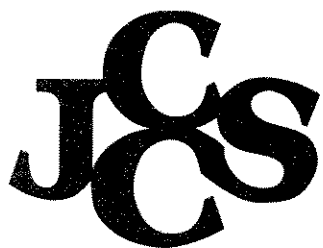
We are also pleased we have a long history of clean audits. The dedication and cooperation of a number of people have made this possible. In particular, the staff of the Financial and Human Resources Office has consistently ensured that high standards of accounting are met and maintained.

Thank you for your work.

Sincerely,

A handwritten signature in cursive script that reads "Susan B. Fox".

Susan Byorth Fox  
Executive Director



**Junkermier • Clark  
Campanella • Stevens • P.C.**

Certified Public Accountants and Business Advisors

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October 25, 2007

To the Legislative Audit Committee  
of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the years ended June 30, 2007, and 2006, and have issued our report thereon dated October 25, 2007. Professional standards require that we provide you with the following information related to our audits.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audits to obtain reasonable, but not absolute, assurance that the financial schedules are free of material misstatement and are fairly presented in accordance with State accounting policy. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audits, we considered the internal control of the Legislative Branch. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of the Legislative Branch's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Legislative Branch are described in Note 1 to the financial schedules.



No new accounting policies were adopted and the application of existing policies was not changed during the fiscal years ended June 30, 2007, and 2006. We noted no transactions entered into by the Legislative Branch during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial schedules and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial schedules.

#### Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial schedules that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Legislative Branch's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, indicate matters that could have a significant effect on the Legislative Branch's financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial schedules or a determination of the type of auditor's opinion that may be expressed on those schedules, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

The Legislative Audit Committee  
of the Montana State Legislature  
October 25, 2007  
Page 3 of 3

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Legislative Branch's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Legislature and management of the Legislative Branch, and is not intended to be and should not be used by anyone other than these specified parties.

***Junkermier, Clark, Campanella, Stevens, P.C.***

Helena, Montana